



Hopson Development Holdings Limited

(Incorporated in Bermuda with limited liability)

MAJOR AND CONNECTED TRANSACTIONS

The directors (the "Directors") of Hopson Development Holdings Limited (the "Company") announce that the Company and its subsidiaries (the "Group") intend to enter into various on-going transactions (the "On-going Connected Transactions") with two connected persons (as defined under the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules")) in relation to the appointment of a main contractor and a property management company in respect of the Group's property projects in the People's Republic of China (the "PRC").

The Directors consider that the On-going Connected Transactions are in the ordinary and usual course of business of the Group and will be conducted on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned. As it is impractical for the Company to comply with the disclosure and independent shareholders' approval requirements of the Listing Rules on every occasion when any of the On-going Connected Transactions arises, the Company intends to seek general approval from its shareholders for the On-going Connected Transactions and has applied to the Stock Exchange for a waiver for a period of three years from strict compliance with the relevant requirements for connected transactions under the Listing Rules.

The Group also intends to enter into various agreements (referred to below as the "Yijing Transaction", the "Panyu Transaction" and the "New Tai An Transaction" respectively) with, amongst others, certain connected persons of the Company (as defined under the Listing Rules), as soon as practicable after the SGM (as defined below) to establish (1) Guangzhou Hopson Yijing Real Estate Limited ("Hopson Yijing"); (2) Guangdong Huanan New City Real Estate Limited ("Huanan New City"); (3) Guangdong New Tai An Real Estate Limited ("New Tai An"), all sino-foreign co-operative joint ventures in the PRC established for the development and construction of commodity property on a site in Haizhu District of Guangzhou, a site in Panyu of Guangdong Province, and a site in Haizhu District of Guangzhou respectively.

The Group also intends to enter into a joint development agreement ("Joint Development Agreement") with, amongst others, a connected person of the Company (as defined under the Listing Rules), as soon as practicable after the SGM (as defined below) to jointly develop and construct commodity property on a site comprising 4 pieces of adjoining land in Haizhu District of Guangzhou.

In addition, the Group intends to enter into various supplemental agreements (referred to below as the "Gallopade Park Supplement", the "Lejing Supplement" and the "Qiaodao Supplement" respectively) with, amongst others, certain connected persons of the Company (as defined under the Listing Rules), as soon as practicable after the SGM (as defined below) to amend certain existing joint venture terms of (1) Guangzhou Hopson Keji Garden Real Estate Limited ("Hopson Keji Garden"), (2) Guangdong Hopson Lejing Real Estate Limited ("Hopson Lejing") and (3) Guangzhou Zhujiang Qiaodao Real Estate Limited ("Qiaodao"). Hopson Keji Garden and Hopson Lejing are both non-wholly-owned subsidiaries of the Company. Hopson Keji Garden, Hopson Lejing and Qiaodao are sino-foreign co-operative joint ventures in the PRC established for the development and construction of Gallopade Park and commodity property on sites in Tianhe and Haizhu Districts of Guangzhou and in Panyu of Guangdong Province respectively.

The Yijing Transaction, the Panyu Transaction, the New Tai An Transaction, the Joint Development Agreement, the Gallopade Park Supplement, the Lejing Supplement and the Qiaodao Supplement collectively the "Property Development Transactions".

The Directors consider that the Property Development Transactions are in the ordinary and usual course of business of the Group and the terms of which have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned. Each of the Property Development Transactions constitutes a connected transaction under the Listing Rules and is subject to certain disclosure and shareholders' approval requirements with interested shareholders abstaining from voting. Each of the Panyu Transaction and the Qiaodao Supplement constitutes a major transaction for the Company under the Listing Rules and is subject to certain disclosure and shareholders' approval requirements. The Group will enter into a conditional agreement with the relevant parties in respect of each of the On-going Transactions and each of the Property Development Transactions prior to the despatch of the circular to the shareholders of the Company.

A circular containing, inter alia, further details of the On-going Connected Transactions and the Property Development Transactions (together the Proposed Connected Transactions) and the notice convening a special general meeting (the "SGM") to consider the Proposed Connected Transactions will be despatched to the shareholders of the Company as soon as practicable.

A. THE ON-GOING CONNECTED TRANSACTIONS

Appointment of a main contractor

Parties:	
Developer:	The Group
Contractor:	Guangdong Zhujiang Construction Company Limited ("GZ Construction")
Particulars:	During the next 3 years commencing from January 2000 the Group may, from time to time, appoint GZ Construction as its main contractor in respect of construction works to be carried out on property development projects of the Group in Guangzhou and in the southern part of Guangdong Province.
Terms:	The appointment of GZ Construction as the Group's main contractor will be on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned. Further, individual construction contracts will only be awarded to GZ Construction if the terms offered by it are not less favourable than those offered by others with reference to the rates for material and workmanship as quoted in the Guangzhou Guidelines for Construction Cost Estimation 1999 (Supplemental) (廣州地區1999年建築工程預算(補充)價格表). The Directors estimate that the annual aggregate construction fee payable to GZ Construction for each of the three financial years ending 31st December, 2002 will not be more than 50 per cent. of the Group's total turnover for the financial year concerned or RMB1,420 million, 2,330 million and 2,609 million respectively (which are the Director's estimated construction fees payable based on the current construction costs quoted in the Guangzhou Guidelines for Construction Cost Estimation 1999 and the Directors' estimation of the progress of the construction of the Group's projects), whichever shall be higher. The Group's total turnover for the financial year of 1998 was HK\$1,303 million.
Connection between the parties:	GZ Construction is a company established in the PRC and a 60% owned subsidiary of Guangdong Zhujiang Investment Company ("GD Zhujiang"). GD Zhujiang is a company established in the PRC and a substantial shareholder of certain subsidiaries of the Company in the PRC. Accordingly, GZ Construction is a connected person of the Company under the Listing Rules.

Appointment of a property management company

Parties:	
Developer:	The Group
Management company:	Guangdong Esteem Property Services Limited ("Esteem")
Particulars:	The Group intends to, during the next 3 years commencing from 1st January 2000, appoint Esteem to manage all the properties developed by the Group's joint ventures. When Esteem is appointed to manage a building developed by a member of the Group, Esteem will collect management fees from owners of individual units of the building and in respect of unsold units and reserved areas (if any), from the Group at half rate. The Directors estimate that the annual aggregate management fee payable to Esteem for each of the three financial years ending 31st December, 2002 will not be more than 0.2 per cent. of the Group's total turnover (excluding that attributable to Esteem after minority interest) for the financial year concerned or RMB2.6 million, 1.6 million and 0.8 million respectively (which are the Directors estimated management fees payable based on the Group's estimated unsold units and reserved areas of the Group's projects and the current market rate of the management fee payable in Guangzhou), whichever shall be higher. The Group's total turnover for the financial year of 1998 was HK\$1,303 million.
Connection between the parties:	Esteem is a 90% owned subsidiary of the Company and a sino-foreign co-operative joint venture formed by the Group and Guangdong Zhujiang Property Management Company ("GZ Management"). GZ Management, which owns 10% interest of Esteem, is a company established in the PRC and a wholly-owned subsidiary of GD Zhujiang. Accordingly, Esteem is a connected person of the Company under the Listing Rules.

Reasons for the On-going Connected Transactions

In consideration of the On-going Connected Transactions, GD Zhujiang has granted the Group a first right of refusal ("First Right of Refusal") to invest in and jointly develop any property development project in Guangdong Province, in which GD Zhujiang has or may have development rights. Where the terms of co-investment and joint development with the Group in any such project are no less favourable than those offered by others, GD Zhujiang will co-invest with the Group. The Yijing Transaction, the Panyu Transaction and the New Tai An Transaction, details of which are set out below, are projects instituted pursuant to the First Right of Refusal.

As the Group is principally engaged in property development and also in property investment in Guangzhou and the southern part of Guangdong Province, the On-going Connected Transactions are in the ordinary and usual course of business of the Group.

The Directors will ensure that the On-going Connected Transactions are conducted on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

Waiver

Under the Listing Rules, the On-going Connected Transactions are subject to certain disclosure and independent shareholders' approval requirements. As it is impractical to comply with such requirements on every occasion when any of the On-going Connected Transactions arises, the Company has applied to the Stock Exchange for a waiver from strict compliance with the relevant requirements under the Listing Rules. The Stock Exchange has indicated that subject to the approval of the On-going Connected Transactions by the shareholders at a special general meeting of the Company, it will consider granting such a waiver for each of the three financial years ending 31st December, 2002 on the following conditions:

- the On-going Connected Transactions will be conducted at arm's length between the parties on normal commercial terms and in the ordinary and usual course of the business of the Group; and will be fair and reasonable so far as the shareholders of the Company are concerned;
 - the On-going Connected Transactions will be carried out in accordance with the terms of the agreements governing the transactions or where there is no agreement, on terms no less favourable than terms available to (or from, as appropriate) independent third parties;
 - details of the On-going Connected Transactions will be disclosed in the Company's next annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules;
- the annual aggregate construction fee payable to GZ Construction for each of the three financial years ending 31st December, 2002 will not be more than 50 per cent. of the Group's total turnover for the financial year concerned or RMB1,420 million, 2,330 million and 2,609 million respectively, whichever shall be higher;
- the annual aggregate management fee payable to Esteem for each of the three financial years ending 31st December, 2002 will not be more than 0.2 per cent. of the Group's total turnover (excluding that attributable to Esteem after minority interest) for the financial year concerned or RMB2.6 million, 1.6 million and 0.8 million respectively, whichever shall be higher;
- the independent non-executive Directors will review annually the On-going Connected Transactions and confirm in the Company's annual report whether such transactions are conducted in the manner as stated in (i), (ii) and (iii); and
- the auditors of the Company will review annually the On-going Connected Transactions details of which shall be set forth in the Company's annual report and accounts and confirm in the Company's next annual report as well as provide the Directors with a letter stating that the On-going Connected Transactions:
 - have received the approval from the board of Directors;
 - are in accordance with the pricing policies as stated in the Company's financial statements; and
 - have been entered into in accordance with the terms of the agreements governing the On-going Connected Transactions or where there is no agreement, on terms no less favourable than terms available to (or from, as appropriate) independent third parties.

In the event that the value of either category of the On-going Connected Transactions exceeds the respective maximum amount mentioned in conditions (ii) and (iii) above, such On-going Connected Transactions shall be conducted in strict compliance with the provisions of Chapter 14 of the Listing Rules.

B. YIJING TRANSACTION

Background

The Group proposes to enter into an agreement, as soon as practicable after the SGM, for the formation of Hopson Yijing, a sino-foreign co-operative joint venture, for the development and construction of commodity property with a construction area of approximately 239,334 sq.m. on a site of 119,667 sq.m. located between the west side of Guangzhou Main Road and the south side of Lu Jiang Village and Feng He Village in Haizhu District of Guangzhou. Construction is scheduled to commence in January 2000.

Principal terms of the joint venture

Parties:	(i) GD Zhujiang (ii) Guangzhou Xin Nan Fang Real Estate Development Company Limited ("Xin Nan Fang") (iii) Guangzhou Yue Teng Property Limited ("Yue Teng") (iv) Guangdong Construction Industrial Group Company ("Construction Industrial") (v) Hopson Holdings Limited ("Hopson"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
Total investment:	RMB239.334 million
Registered capital:	RMB95.75 million
Capital contribution:	The whole amount of registered capital will be contributed by GD Zhujiang, Xin Nan Fang and Hopson in the ratio of 34.8%, 5.2% and 60.0% respectively. The difference between the amount of total investment and the amount of registered capital shall be procured by the same parties in the same ratio. If there shall be capital requirements beyond the amount of total investment, the sums shall be contributed to by the parties in the same ratio.
Land use rights:	The land use rights of the site will be provided by GD Zhujiang, Xin Nan Fang, Yue Teng and Construction Industrial at no costs as conditions for cooperation.
Profit sharing:	The profits and losses of Hopson Yijing will be borne by GD Zhujiang, Xin Nan Fang and Hopson in the ratio of 34.8%, 5.2% and 60.0% respectively.
Other responsibilities:	Hopson Yijing shall pay or reimburse the following costs incurred in the clearance and settlement of the site: <ul style="list-style-type: none">— RMB20 million to the People's Government of the Haizhu District, out of which RMB1 million shall be reimbursed to GD Zhujiang; and— RMB4.2 million to Yue Teng and Construction Industrial, out of which RMB1 million shall be reimbursed to Hopson If Yue Teng and Construction Industrial manage to contribute an additional cleared 3,334 sq.m. of land to Hopson Yijing, Hopson Yijing shall pay or reimburse Yue Teng and Construction Industrial a sum to be calculated on the basis of an unit price of RMB251.95 per sq.m. plus the unit price as set out in the relevant land requisition agreement.

Connection between the parties

Each of Yue Teng and Construction Industrial is an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders. Xin Nan Fang is indirectly owned as to 69.5% by Mr. Chu Muk Chi, a brother of Mr. Chu Mang Yee, the chairman and controlling shareholder of the Company. Accordingly, GD Zhujiang and Xin Nan Fang are connected persons of the Company under the Listing Rules.

The Yijing Transaction is subject to shareholders' approval at the SGM. Sounda Properties Limited, a company wholly-owned by Mr. Chu Mang Yee (the chairman of the Company) and the controlling shareholder of the Company will abstain from voting.

Reasons for the Yijing Transaction

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the Yijing Transaction is in the ordinary and usual course of business of the Group. The Yijing Transaction is instituted pursuant to the First Right of Refusal as described above.

The Directors consider that the terms of the Yijing Transaction are arrived at after arm's length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

C. PANYU TRANSACTION

Background

The Group proposes to enter into an agreement, as soon as practicable after the SGM, for the formation of Huanan New City, a sino-foreign co-operative joint venture in the PRC, for the development and construction of commodity property on a site of 2,015,614 sq.m. located between the south side of Zhujiang River bank of Nan Village Town and the north side of South Road in Panyu of Guangdong Province. The site will be developed by stages, with the initial phase involving 995,793 sq.m. of site area and approximately 1,991,586 sq.m. of total construction area. Construction is scheduled to commence in March 2000.

Principal terms of the joint venture

Parties:	(i) Panyu Zhujiang Property Limited ("Panyu Zhujiang"), a company owned as to 89 per cent. by GD Zhujiang, 10 per cent. by GZ Construction and one per cent. by Panyu Nan Village Town Economic Development Company 番禺南村鎮經濟發展總公司 (ii) Archibald Real Estate Limited ("Archibald"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
Total investment (phase 1):	RMB1,394.11 million
Registered capital (phase 1):	RMB464.75 million
Capital Contribution:	The whole amount of registered capital will be contributed by Panyu Zhujiang and Archibald in the ratio of 40% and 60% respectively. Additional capital required for subsequent phases of development will be contributed by the parties in the same ratio. The difference between the amount of total investment and the amount of registered capital shall be procured by the parties in the same ratio. If there shall be capital requirements beyond the amount of total investment, the same shall be contributed to by the parties in the same ratio.
Land use rights:	The land use right of the site will be provided by Panyu Zhujiang at no costs as a condition for cooperation.
Profit sharing:	The profits and losses of Huanan New City will be borne by Panyu Zhujiang and Archibald in the ratio of 40% and 60% respectively.
Other responsibilities:	Huanan New City shall pay the costs incurred in the clearance and settlement of the site amounting to RMB362.76 million to the People's Government of Panyu, out of which approximately RMB54.41 million shall be reimbursed to Panyu Zhujiang.

Connection between the parties

Panyu Zhujiang, being 89 per cent. owned by GD Zhujiang, is a connected person of the Company under the Listing Rules.

Reasons for the Panyu Transaction

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the Panyu Transaction is in the ordinary and usual course of business of the Group. The Panyu Transaction is instituted pursuant to the First Right of Refusal as described above.

The Directors consider that the terms of the Panyu Transaction are arrived at after arm's length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

D. NEW TAI AN TRANSACTION

Background

The Group proposes to enter into an agreement, as soon as practicable after the SGM, for the formation of New Tai An, a sino-foreign co-operative joint venture in the PRC, for the development and construction of commodity property on a site of 14,174 sq.m. located between the west side of Guangzhou Main Road and the south side of Feng He Village in Haizhu District of Guangzhou. Construction is scheduled to commence in January 2000.

Principal terms of the joint venture

Parties:	(i) GD Zhujiang
	(ii) World Sense Industries Limited (“World Sense”), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
Total Investment:	RMB38.12 million
Registered capital:	RMB19.10 million
Capital Contribution:	The whole amount of registered capital will be contributed by World Sense. The difference between the amount of total investment and the amount of registered capital shall be procured by World Sense.
Land use rights:	The land use right of the site will be provided by GD Zhujiang as a condition for cooperation.
Profit sharing:	The profits and losses of New Tai An will be borne by GD Zhujiang and World Sense in the ratio of 48% and 52% respectively.
Other responsibilities:	New Tai An shall pay the costs incurred in the clearance and settlement of the site. Such costs are estimated to be RMB4.85 million, of which RMB1.78 million has to be reimbursed to GD Zhujiang.

Connection between the parties

GD Zhujiang is a connected person of the Company under the Listing Rules.

Reasons for the New Tai An Transaction

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the New Tai An Transaction is in the ordinary and usual course of business of the Group. The New Tai An Transaction is instituted pursuant to the First Right of Refusal as described above.

The Directors consider that the terms of the New Tai An Transaction are arrived at after arm’s length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

E. JOINT DEVELOPMENT AGREEMENT

Background

New Tai An, Hopson Lejing, Hopson Yijing and Guangzhou Zhukuang Real Estate Development Co. Ltd. (“Zhukuang”) propose to enter into an agreement, as soon as practicable after the SGM, whereby the parties will jointly develop and construct commodity property on a site situated at Guangzhou Main Road in Haizhu District of Guangzhou. The site comprises 4 pieces of adjoining land held or to be acquired by the respective parties, those held or to be acquired by New Tai An, Hopson Lejing and Hopson Yijing being the ones described under the New Tai An Transaction, Lejing Supplement and Yijing Transaction above. The site has a total area of 342,727 sq.m.. Construction is scheduled to commence in January, 2000.

Under the agreement, a committee comprising 4 members will be formed to oversee the joint development. Each party shall be entitled to nominate one member to the committee and the member nominated by Hopson Yijing shall be the chairman of the committee.

The construction costs incurred and the taxes arising from or in connection with the project shall be borne by the parties in the following proportions which are based on the ratio of the area of their respective land to the total area of the site:

Parties	Area (Sq.m.)	Percentage (%)
New Tai An	14,174	4.13
Hopson Lejing	192,637	56.21
Hopson Yijing	119,667	34.92
Zhukuang	16,249	4.74
Total:	342,727	100

The sale proceeds of the joint development shall be shared by the parties in the same proportions stated above.

Connection between the parties

Upon implementation of the New Tai An Transaction, Lejing Supplement and Yijing Transaction, all of New Tai An, Hopson Lejing and Hopson Yijing will be non-wholly-owned subsidiaries of the Company in which a connected person of the Company, namely, GD Zhujiang, is a substantial shareholders. Zhukuang is an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders.

Reasons for the joint development agreement

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the Joint Development Agreement is in the ordinary and usual course of business of the Group.

The Directors believe that the Joint Development Agreement will enable the Group to combine all the adjoining lands for development purposes so that the Group will enjoy economies of scale and reduce costs. Such joint development will also facilitate general planning as well as the provision and construction of corresponding facilities and amenities.

The Directors consider that the terms of the Joint Development Agreement are arrived at after arm’s length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

F. GALLOPADE PARK SUPPLEMENT

Background

On 1st September, 1997, Nambour Properties Limited (“Nambour”), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, entered into a sino-foreign co-operative joint venture agreement with Guangzhou Tianhe Science and Technology Enterprises Development Company Limited (“GT Science”) to form Hopson Keji Garden, for the development and construction of Gallopade Park.

Gallopade Park is located on a site of approximately 179,667 sq.m. between Huangpu Avenue and Zhongshan Avenue in Tianhe District, Guangzhou. The proposed development includes the construction of two research centres, two training centres, three office buildings and 72 blocks of low-rise residential buildings. The total gross floor area of the entire project of Gallopade Park is estimated to be 563,345 sq.m..

A brief description of Gallopade Park and Hopson Keji Garden has been disclosed in the prospectus of the Company dated 18th May, 1998.

On 21st May, 1998, Nambour and GT Science entered into a supplemental co-operative joint venture agreement (the “GD Supplemental Agreement”) to extend the term of the joint venture to twenty-five years.

The Group now proposes to enter into a second supplemental co-operative joint venture agreement amending certain terms of the original joint venture agreement (as amended by the GD supplemental agreement) of Hopson Keji Garden.

Principal amended terms of the joint venture

	Existing terms	Amended terms
Capital contribution:	GT Science will be responsible for all the matters and costs incurred in relation to the provision and clearance of the site. Nambour will be responsible for all the registered capital of the joint venture.	GT Science will be responsible for all the matters in relation to the provision and clearance of the site, but Hopson Keji Garden shall pay the costs incurred in relation thereto. So far, GT Science has incurred RMB458 million, of which RMB33 million has already been reimbursed by Hopson Keji Garden.
Profit sharing:	The completed gross floor area will be shared by GT Science and Nambour in the ratio of 30% and 70% respectively.	The profits of Hopson Keji Garden will be shared by GT Science and Nambour in the ratio of 5% and 95% respectively.
Distribution of assets upon termination of the joint venture:	After settlement of all debts, the remaining assets will be distributed to GT Science and Nambour in the ratio of 30% and 70% respectively.	After settlement of all debts, the remaining assets will be distributed to GT Science and Nambour in the ratio of 5% and 95% respectively.

Connection between the parties

GT Science, being an existing substantial shareholder of Hopson Keji Garden, is a connected person of the Company under the Listing Rules.

Reasons for the Gallopade Park Supplement

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the Gallopade Park Supplement is in the ordinary and usual course of business of the Group. The Directors believe that the Gallopade Park has very good development potential and will be contributing significantly to the Group’s profit in the long term. The Gallopade Park Supplement will increase the Group’s interest in the development project and will bring long term benefits to the Group.

The Directors consider that the terms of the Gallopade Park Supplement are arrived at after arm’s length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

G. LEJING SUPPLEMENT

Background

On 26th June, 1997, Timbercrest Properties Ltd. (“Timbercrest”), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, entered into an agreement with GD Zhujiang for the formation of Hopson Lejing, a sino-foreign co-operative joint venture in the PRC, for the development and construction of commodity property on a site in Shi Jing Town of Guangzhou.

On 28th July, 1998, Timbercrest entered into an agreement to assign one third of its interest in Hopson Lejing to York Joint Development Limited (“York Joint”), a company incorporated in the British Virgin Islands, which is an independent third party. Also on 28th July, 1998, Timbercrest, GD Zhujiang and York Joint entered into a supplemental joint venture agreement to vary the terms of the original joint venture agreement of Hopson Lejing including changing the site for development to a site in Haizhu District of Guangzhou. The said assignment, change of site and supplemental agreement were approved by the relevant authority in November, 1998.

The Group now proposes to enter into a second supplemental co-operative joint venture agreement amending certain terms of the existing joint venture arrangement of Hopson Lejing.

Principal amended terms of the joint venture

	Existing terms	Amended terms
Parties:	(i) GD Zhujiang	(i) GD Zhujiang
	(ii) York Joint	(ii) Guangzhou Zhujiang Investment Company Guangzhou Development Centre, (“GZ Development Centre”)
	(iii) Timbercrest	(iii) Guangzhou Tong Rui Da Real Estate Industrial Company Limited (“Tong Rui Da”)
		(iv) Guangdong Zhujiang Industrial Development Company Limited (“GZ Industrial”)
		(v) York Joint
		(vi) Hopson

Existing terms

Business scope:	To develop and construct commodity property for sale with a total construction area of approximately 93,328 sq.m. on a site of 106,788 sq.m. located between the west side of Guangzhou Main Road and the south side of Kang Le Xi Wei Village in Haizhu District of Guangzhou	Amended terms To develop and construct commodity property for sale with a total construction area of approximately 385,274 sq.m. on a site of 192,637 sq.m. located between the west side of Guangzhou Main Road and the south side of Feng He Village in Haizhu District of Guangzhou
Total investment:	RMB100.0 million	RMB385.28 million
Registered capital:	RMB41.5 million	RMB128.43 million
Capital contribution:	Two-thirds of the registered capital will be contributed by Timbercrest while the remaining one-third will be contributed by York Joint. The difference between the amount of total investment and the amount of registered capital shall be procured by the parties in the same ratio.	The whole amount of the registered capital will be contributed by GD Zhujiang, York Joint and Hopson in the ratio of 19.9%, 20.1% and 60.0% respectively. The difference between the amount of total investment and the amount of registered capital shall be procured by the parties in the same ratio. If there shall be capital requirements beyond the amount of total investment, the same shall be contributed to by the parties in the same ratio.

Land use rights: The land use rights of the site will be provided by GD Zhujiang as a condition for cooperation.

Profit sharing: The profits and losses of Hopson Lejing will be borne by GD Zhujiang, York Joint and Timbercrest in the ratio of 10%, 30% and 60% respectively.

Other responsibilities: Hopson Lejing shall pay or reimburse the following costs incurred in the clearance and settlement of the site:

- RMB5 million to GD Zhujiang;
- RMB5 million to Tong Rui Da;
- RMB15.6 million to GZ Industrial.

Connection between the parties

Tong Rui Da is an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders. GZ Development Centre is wholly-owned by GD Zhujiang whereas GZ Industrial is 38% owned by GD Zhujiang. York Joint is an existing substantial shareholder of Hopson Lejing. Accordingly, GD Zhujiang, GZ Development Centre, GZ Industrial and York Joint are all connected persons of the Company under the Listing Rules.

Reasons for the Lejing Supplement

Although the agreement for the formation of Hopson Lejing was entered into on 26th June 1997, the same has not been implemented by the parties as the original project has been put in abeyance all the time. The Lejing Supplement will now vary, amongst others, the site of the project and the joint venture parties to Hopson Lejing.

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong Province, the Lejing Supplement is in the ordinary and usual course of business of the Group.

The Directors believe that the Lejing Supplement will enable the Group to combine various lots of land in the vicinity for development purposes so that the Group will enjoy economies of scale and reduce costs. Combining various lots of land for development will also facilitate general planning as well as the provision and construction of corresponding facilities and amenities.

The Directors consider that the terms of the Lejing Supplement are arrived at after arm’s length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

H. QIAODAO SUPPLEMENT

Background

On 31st July, 1998, Hopson Development International Limited (“Hopson Development”), a wholly-owned subsidiary of the Company entered into an agreement with Wong Kwai Ping and Leung Kit (together the “Vendors”) pursuant to which Hopson Development acquired from the Vendors the entire issued share capital of Outward Expanse Investments Limited (“Outward”), a company incorporated in the British Virgin Islands. The Vendors are independent third parties not connected with the Group or any of its directors, chief executives or substantial shareholders.

Outward is the foreign party of Guangzhou Zhujiang Qiaodao Real Estate Limited (“Qiaodao”), a sino-foreign co-operative joint venture formed in the PRC for the development and construction of commodity property on a site of 654,107 sq.m. (“Riverside New City”) located between the east side of Guangzhou Main Road and the southside of Zhujiang River in Haizhu District of Guangzhou. The other parties of Qiaodao are GD Zhujiang and 廣州三聯華僑房產有限公司 (Guangzhou Shanlian HuaQiao Real Estate Limited) (“Shanlian”), an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders. The total investment and registered capital of Qiaodao are RMB1,600 million and 534 million respectively.

On 6th July, 1998, Shanlian, GD Zhujiang and Outward entered into a supplemental agreement (the “QD supplemental agreement”) to vary certain terms of the original joint venture agreement dated 12th January, 1998.

The Group now proposes to enter into a second supplemental agreement amending the original joint venture agreement (as amended by the QD supplemental agreement) of Qiaodao.

Principal amended terms of the joint venture

	Existing terms	Amended terms
Profits and losses sharing:	After tax profits of Qiaodao will be shared by Shanlian, GD Zhujiang and Outward in the ratio of 30%, 52.5% and 17.5% respectively. Losses of Qiaodao will be borne by GD Zhujiang and Outward in the ratio of 75% and 25% respectively.	After tax profits of Qiaodao will be shared by Shanlian, GD Zhujiang and Outward in the ratio of 30%, 30% and 40% respectively. Losses of Qiaodao will be borne by GD Zhujiang and Outward in the ratio of 42.86% and 57.14% respectively.
Site clearance costs:	The site clearance costs will be borne by GD Zhujiang and Outward in the ratio of 75% and 25% respectively.	The site clearance costs will be borne by GD Zhujiang and Outward in the ratio of 42.86% and 57.14% respectively.
Capital contribution:	The registered capital and total investment will be contributed by GD Zhujiang and Outward in the ratio of 75% and 25% respectively. The difference between the amount of total investment and the amount of registered capital shall be procured by the parties in the same ratio.	The registered capital and total investment will be contributed by GD Zhujiang and Outward in the ratio of 42.86% and 57.14% respectively. The difference between the amount of total investment and the amount of registered capital shall be procured by the parties in the same ratio.
Distribution of assets upon termination of the joint venture:	After settlement of all debts, the remaining assets will be distributed to Shanlian, GD Zhujiang and Outward in the ratio of 30%, 52.5% and 17.5% respectively.	After settlement of all debts, the remaining assets will be distributed to Shanlian, GD Zhujiang and Outward in the ratio of 30%, 30% and 40% respectively.

Connection between the parties

GD Zhujiang is a connected party of the Company under the Listing Rules. Shanlian is an independent third party not connected with the Group or any of its directors, chief executives or substantial shareholders.

Reasons for the Qiaodao Supplement

As the Group is principally engaged in property development and also in property investment in Guangzhou and in the southern part of Guangdong province, the Qiaodao Supplement is in the ordinary and usual course of business of the Group.

The Directors believe that Riverside New City has very good development potential and will be contributing significantly to the Group’s profit in the long term. Although the Qiaodao Supplement will increase the Group’s capital contribution by RMB172 million, the Group’s profit sharing ratio in the development project will also be increased, thus bringing long term benefits to the Group.

The Directors consider that the terms of the Qiaodao Supplement are arrived at after arm’s length negotiation and on normal commercial terms which are fair and reasonable so far as the shareholders of the Company are concerned.

I. SPECIAL GENERAL MEETING

Each of the Property Development Transactions constitutes a connected transaction for the Company under the Listing Rules and is subject to certain disclosure and shareholders’ approval requirements with interested shareholders abstaining from voting. Each of the Panyu Transaction and the Qiaodao Supplement constitutes a major transaction for the Company under the Listing Rules and is subject to certain disclosure and shareholders’ approval requirement. The SGM will be convened as soon as practicable at which ordinary resolutions will be proposed to approve the Proposed Connected Transactions. Save for the Yijing Transaction, Sounda Properties Limited, a company wholly-owned by Mr. Chu Mang Yee (chairman of the Company) and the controlling shareholder of the Company interested in 63.75% of the issued share capital of the Company, is entitled to vote at the SGM and has indicated that it will vote in favour of all Proposed Connected Transactions (except the Yijing Transaction) at the SGM. In view of its relationship with a party under the Yijing Transaction as described above, Sounda Properties Limited will abstain from voting in respect of the Yijing Transaction at the SGM.

J. GENERAL

A committee comprising independent non-executive Directors (“Independent Board Committee”) will be formed to advise the shareholders of the Company in respect of the Proposed Connected Transactions. ICEA Capital Limited has been appointed to advise the Independent Board Committee regarding the Proposed Connected Transactions. C. Y. Leung & Company has been appointed to prepare a valuation report in respect of the properties under the Property Development Transactions. A circular containing, inter alia, further details of the Proposed Connected Transactions, the notice convening the SGM, the advice of ICEA Capital Limited to the Independent Board Committee and the recommendation of the Independent Board Committee in relation to the Proposed Connected Transactions will be despatched to the shareholders of the Company as soon as practicable.

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 7th December, 1999